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RECIPROCITY IN THE AMERICAN TARIFF SYSTEM

The impression seems to prevail in some quarters that the cause of reciprocity, as a national policy, has been discredited and discouraged for many years to come by reason of the failure of the United States Senate to act favorably upon the several treaties negotiated and signed in 1899 and 1900, in accordance with the provisions of Section 4 of the Dingley tariff. These treaties, eleven in number and popularly called the Kasson treaties, were submitted to the Senate in the 56th, and again in the 57th Congress, and, although repeatedly renewed with respect to their exchange periods, have finally lapsed and are now of little interest to any one but the historian.

In so far as the reciprocity principle was outlined in and represented by these treaties, the view referred to respecting the status of the policy is not without some justification; but, on the other hand, our experience with reciprocity since 1897 has been far from unfruitful and discouraging for the future. In the first place, the people of the United States are distinctly favorable to the principle of reciprocity, and desire to see it applied whenever and wherever possible without injury to the best interests of domestic labor and capital, and without interference with our national revenue policy. President Roosevelt has earnestly commended the policy and clearly laid down the rules for its proper application in harmony with our established tariff system, repeatedly approved by the suffrages of the people. The Republican party, in its platform adopted in national convention in 1892, and again in 1896, and a third time in 1900, committed itself to this policy, and the leading statesmen of that party continue to advocate its judicious application.

The reciprocity negotiations initiated by the late President McKinley, in accordance with the Dingley tariff, have not resulted in the complete failure that many persons apprehend. It is true that the work under the fourth section has been without avail, but, on the other hand, the four commercial agreements concluded in 1898-1900 by authorization of Section 3 of the same tariff act, and put into operation by the proclamation of the President, without recourse to the Senate, represent a successful and interesting test of the reciprocity principle.

There has been complete continuity of policy pursued by the

administration in respect to this great question ever since the opening of negotiations for reciprocity in 1897. Everything within the traditional bounds of official propriety has been done by the executive branch of the Government to give effect to the statutory provisions looking to reciprocity arrangements contained in the tariff act of July 24, 1897. At the request of the interested governments, the treaties concluded under Section 4 were kept alive by the signature of supplementary conventions extending the respective periods for exchange of ratifications, in some cases as many as four times. Diplomatic arrangements were also made for the inclusion of the trade of Porto Rico in the commercial advantages secured to the United States by the agreements under Section 3. Furthermore, two important treaties giving further extension to the reciprocity policy have been concluded under the general treaty-making power, one with Cuba, already adopted, and the other with Great Britain on behalf of Newfoundland, still pending in the Senate.

The consistent attitude of the administration in these matters has created a most favorable impression in foreign capitals, and, in my opinion, has contributed largely in preventing international resentment and measures of retaliation against American trade in consequence of the high rates of the Dingley tariff. It is true that at the present time a strong protectionist movement prevails in Europe, and even threatens to control the tariff legislation in free-trade strongholds like the United Kingdom and the Netherlands; but if this movement is actuated and encouraged by any one trans-Atlantic influence more than another, it is the acknowledged success of the American system of high protection. The statesmen of Europe have come to recognize that the wonderful industrial and commercial prosperity of the United States has been firmly built upon the protective tariff system, and, consequently in the recent revision of their own tariffs this idea has prevailed. There have been, it is true, two or three isolated instances of obviously retaliatory action against American trade, but the situation is far better than was predicted a few years ago.

It will be convenient to classify reciprocity arrangements under two heads, (1) the perfected reciprocity treaties and agreements, and (2) the unperfected, that is, those which, although formally concluded (in the diplomatic sense), have failed of final adoption.

Perfected Reciprocity Treaties and Agreements of the United States.

I. PERFECTED TREATIES.

Administration.	Concluded with	Signed	Went into Effect	Terminated
Pierce	Great Britain for British Possessions in North America. (Marcy-Elgin Treaty.)	June 5, 1854	March 16, 1855	March 17, 1866.
Grant	Hawaiian Islands	January 30, 1875	September 9, 1876 ..	Virtually by annexation, July 6, 1898; but customs features operative until April 30, 1900 do.
Arthur	Hawaiian Islands	December 6, 1884	November 9, 1887	
Roosevelt ...	Cuba	December 11, 1902	December 27, 1903 ..	In force.
	(Bliss-Zaldo and Montes Treaty.)			

II. PERFECTED AGREEMENTS.

Administration.	With	Concluded	Proclaimed	Effective	Terminated
Harrison . . .	Brazil	Jan. 31, 1891	Feb. 5, 1891	April 1, 1891	
Harrison . . .	Dominican Republic	June 4, 1891	Aug. 1, 1891	Sept. 1, 1891	
Harrison . . .	Spain for Cuba and Porto Rico.	June 16, 1891	Aug. 1, 1891	Sept. 1, 1891	
Harrison . . .	Salvador	Dec. 30, 1891	Dec. 31, 1891	Feb. 1, 1892	All practically abrogated by provisions of U. S. Tariff Act of August 27, 1894.
Harrison . . .	Germany	Jan. 30, 1892	Feb. 1, 1892	Feb. 1, 1892	
Harrison . . .	Great Britain for Barbados, Jamaica, Leeward Islands, Trinidad (including Tobago), Windward Islands (excepting Grenada) and British Guiana.	Feb. 1, 1892	Feb. 1, 1892	Feb. 1, 1892	
Harrison . . .	Nicaragua	March 11, 1892	March 12, 1892	March 12, 1892	
Harrison . . .	Honduras	April 29, 1892	April 30, 1892	May 25, 1892	
Harrison . . .	Guatemala	Dec. 30, 1891	May 18, 1892	May 26, 1892	
Harrison . . .	Austria-Hungary	May 25, 1892	May 26, 1892	May 26, 1892	
McKinley . . .	France.	May 28, 1898	May 30, 1898	June 1, 1898	In force.
McKinley . . .	Portugal (including Azores and Madeira Islands).	May 22, 1899	June 12, 1900	June 12, 1900	In force.
McKinley . . .	Germany	July 10, 1900	July 13, 1900	July 13, 1900	In force.
McKinley . . .	Italy	Feb. 8, 1900	July 18, 1900	July 18, 1900	In force.
Roosevelt . . . etc.).	France (Porto Rican trade, etc.).	Aug. 26, 1902	Aug. 22, 1902	Aug. 22, 1902	In force.

Our Experience with Reciprocity with Canada.

The Marcy-Elgin treaty of 1854, which regulated our reciprocal commercial relations with the British North American provinces now composing the Dominion of Canada, besides the independent colony of Newfoundland, is noteworthy as being the first instance of the successful adoption by the United States of the reciprocity principle in treaty form. It established limited free trade in natural products between the two countries, the conventional list (identical on both sides) including 28 articles or classes of articles, the produce of the farm, forest, mine, and fisheries. It also provided for liberal fishing privileges for American fishermen and mutual transportation rights.

This treaty was in actual operation, as respects its customs features, during a period of exactly eleven years. It was terminated March 17, 1866, having been denounced by the United States one year previously in compliance with an act of Congress. The value of the reciprocal arrangement to this country has long been the subject of much discussion and radical difference of opinion. At the outset it was certainly beneficial to both contracting parties, but as time progressed the preponderance of commercial advantage was heavily in favor of Canada. There are several important reasons for this result. In the first place, the outbreak of the great Civil War created a most serious disturbance in the activities of our foreign trade, exports being speedily curtailed and the home consumption increased. Another disturbing factor was the unexpected action of the Canadian provinces in studiously and repeatedly increasing their import duties on manufactured goods, which commodities were, in strictness, outside the operation of the treaty, although perhaps within the spirit of its preamble and the intention of the negotiators. As a result, American exports to Canada in those lines steadily fell off; this situation was regarded at the time as wholly unwarranted and inequitable on the part of the Canadians, who were profiting so extensively by the treaty itself, and, in my opinion, it contributed not a little to the adverse attitude taken by Congress on the question of either renewing or modifying the treaty. But, of course, the circumstance, or rather series of circumstances, that particularly fired the popular indignation and opposition in this country was the

sympathy and assistance extended in Canada to Confederate refugees in their hostile movements along the border during the war. The abrogation of the treaty is usually ascribed to the just anger of our people on that account, and, in a lesser degree, to the unsatisfactory economic operation of the treaty. Still another sensible reason for the abandonment of the treaty—and one that has been almost entirely lost sight of by writers on this subject—was that the Government of the United States, at the close of the Civil War, was obliged to retrench expenditures and husband its revenues in every possible quarter; the special free list so long extended to Canada offered a resource for sorely needed revenue, and the opportunity was improved by Congress; the conventional notice of one year was given to the other high contracting party, and the treaty came to an end as stated.

So many factors enter into the matter that it is difficult, if not impossible, to satisfactorily demonstrate the influence of the treaty of 1854 by means of statistics. Without it, the trade would undoubtedly have increased to some extent, owing to the increase of population and industrial development, especially in the United States, besides the establishment of improved facilities of transportation. At any rate, in the earlier years of the reciprocal period there was a larger percentage of increase in the commercial movement between the two countries than at any time since 1820. The total exports of merchandise from this country to the North American provinces, in the fiscal year 1852-53, amounted in value to \$12,400,000, while our corresponding imports from that source were only \$6,500,000. The very next year the United States exports jumped to \$24,000,000 and the imports to \$8,800,000. In 1855 the figures were, exports \$27,700,000 and imports \$15,000,000; in 1856, exports \$29,000,000 and imports \$21,000,000. The last mentioned year witnessed the high-water mark of our exports to Canada under the treaty, while our imports from there rose in 1866, the last year of the reciprocal period, to the unprecedented figure of more than \$48,000,000. During the first half of the treaty period, therefore, the balance of trade was in favor of the United States, but in the closing years it had shifted in favor of Canada.

Earnest efforts, repeatedly renewed, have been made by the Canadians since 1866 to re-establish reciprocal relations between the two countries, but without avail. More than once the Liberal

party of Canada has gone to the polls with the pledge to accomplish this much-coveted result.

The unsuccessful efforts of the Anglo-American Joint High Commission of 1898-99 to reach an agreement upon the subject of commercial reciprocity, as well as upon any of the numerous other questions of difference submitted to its consideration, are fresh in mind. Many persons believe that a special arrangement satisfactory to both countries might have been made by that distinguished body, six plenipotentiaries on either side, had it not been for the determined position taken by the Canadian members, who insisted upon reaching an agreement upon all the twelve topics, including the Alaskan boundary dispute, before definitely disposing of any particular subject.

The happy removal of the question of the Alaskan boundary from the list of existing commercial differences would, therefore, seem to have eliminated a serious obstacle to a new reciprocity treaty. The outlook for Canadian reciprocity is therefore hopeful.

Reciprocity with Hawaii.

Our reciprocity treaty of 1875 with the Hawaiian Islands, signed by Secretary Fish, occupies an exceptional place in the history of the policy, inasmuch as its conclusion was dictated, on the part of the United States, by serious considerations of state rather than by purely economic motives. The superior rights and interests of this country in the islands had long foreshadowed ultimate annexation, and the treaty not only furnished an additional safeguard to Hawaii against possible aggressions by foreign powers, but it also gave to her principal product, raw sugar, an exclusive and effective commercial advantage in the vast market of the United States.

The treaty of 1875 virtually established free trade between the United States and Hawaii, the raw sugar and other natural products of the islands being granted free entry into the United States in return for like treatment by Hawaii of a long list of miscellaneous American products, practically comprehending the entire trade as it then existed. Hawaii also agreed not to lease or otherwise dispose of any port, harbor, or territory, or grant to any other nation the same privileges secured in the treaty to the United States.

This treaty was renewed in 1884 by a supplementary treaty, signed by Secretary Frelinghuysen, wherein Hawaii granted to the United States the exclusive right to establish a coaling station in Pearl Harbor, a valuable strategic advantage to this country. Besides the paramount considerations of national statecraft,—the security of the extensive American interests in the islands, the guaranty afforded against foreign encroachments, and the strategic value of a coaling station for the navy in its operations in the Pacific,—the treaty, in the end, was economically beneficial to the United States, for the preferential free admission of the crude sugar of Hawaii led to the establishment of the refining industry in California and built up the prosperity of the islands in which the entire United States now has equal interest. It is a noteworthy fact that for several years prior to annexation the United States took about 92 per cent of the entire exports of the Hawaiian Islands and in return furnished about 78 per cent of their total imports.

The Reciprocity Treaty with Cuba.

The recent adoption by the United States of the reciprocity treaty with the Cuban republic, signed at Havana on December 11, 1902, opens up an encouraging outlook for our export trade in miscellaneous manufactured commodities and food products.

The estimated remission in our revenues hitherto derived from Cuban sugar is considerable, but this objection is properly overborne not only by the dictates of the national sense of duty to Cuba, which under the Spanish regime (bad as it was), enjoyed a profitable and preferential market in the mother country, which is now largely lost, but also by the prospective value of the liberal preferential tariff concessions made by the young republic to our diversified export interests.

By the treaty just put into effect the United States grants a reduction of 20 per cent of the regular tariff duties upon all dutiable imports from Cuba. Reciprocally, that country agrees to admit at reductions of 25, 30, and 40 per cent of the regular duties, respectively, the articles of United States production enumerated in three schedules, while all remaining dutiable articles are to be admitted at a reduction of 20 per cent. The existing free lists of

the two countries are mutually bound during the term of the treaty, which is five years.

A most important fact for the development of American trade interests in the island is that the duty reductions of 20 to 40 per cent stipulated by Cuba must remain "*preferential in respect to all like imports from other countries*" during the treaty period. Such important tariff advantages, which are to be exclusively enjoyed by American exporters, should surely enable our trade in the island to expand enormously, and, while we now supply Cuba with less than half of what she buys abroad, we should soon, thanks to the treaty, virtually control the entire market.

In the calendar year 1902 Cuba imported goods to the value of 60 million dollars, of which the United States furnished 25 millions, or only 42 per cent—a poor showing, considering geographical advantages. The treaty should enable us to double this percentage. On the other hand, in the same year Cuba exported to the world goods to the value of 64 million dollars, of which 9 millions, or 77 per cent, was taken by the United States. The remission by this country of one-fifth of the Dingley duties on Cuban sugar and tobacco will materially benefit the producers on the island of those articles, but this is precisely what we should desire. If Cuba flourishes as never before, her prosperity will react in our favor inasmuch as she will need more goods from abroad, and will be able to buy more, and our preferential tariff treatment in her market will give us the control. For these reasons it is evident that our new Cuban treaty is a well-balanced contract from a purely economic viewpoint, justly redounding to the credit of the present administration and fulfilling the earnest hopes of the late President McKinley in respect to our commercial treatment of Cuba.

Reciprocity Under Section 3, Tariff of 1890.

All the commercial agreements made under the Harrison administration were negotiated and put into effect by Presidential proclamation under the provisions of Section 3 of the Tariff Act of 1890. That section, incorporated in the law following the suggestions of Secretary Blaine, was very simple. With the view of securing beneficial reciprocal relations with countries producing and exporting to the United States raw sugar, molasses, coffee, tea, and

hides,—all which articles had been placed on the free list of the tariff—the President was authorized to suspend their free entry whenever such countries imposed unreasonable duties upon American products, and thereupon certain duties specified in this section should be collected upon the enumerated articles. It was reciprocity by indirection, being a declaration to the countries concerned that the United States would expect fair and reciprocal tariff treatment for its products in their markets, and the legislative threat of retaliation was the effective leverage.

The commercial agreements concluded under the tariff of 1890 were skilfully negotiated, on the part of the United States, by Secretary Blaine, with the able assistance of Mr. John W. Foster. In return for the simple guaranty of the retention upon our free list of sugar and the other enumerated articles, important tariff advantages were secured in behalf of American trade in the contracting countries. For example, Brazil agreed to admit free of duty a list of important products, including wheat, flour, pork, fish, coal, agricultural and mining machinery, and railway material, and conceded a reduction of 25 per cent in her duties upon another list of articles, including lard, butter, cheese, canned meats, lumber, and cotton goods. The concessions made by the other countries of Latin America were equally liberal; for instance, Cuba granted free entry to 39 classes of articles, a duty-reduction of 50 per cent on 17 classes, and of 25 per cent on 14 classes.

Germany abolished the prohibition of hogs, pork and sausages, an obnoxious measure which had been enforced against American products since the year 1883, notwithstanding the strenuous and persistent efforts of our Legation for its modification or repeal. Germany further conceded to the United States the full benefits of her conventional tariff upon agricultural products as set forth in a series of reciprocity treaties with her neighbors. These valuable commercial concessions were contained in the famous "Saratoga Convention," which, like all the other arrangements under the Act of 1890, was effected by the exchange of diplomatic notes, in this case at Saratoga, N. Y.

Austria-Hungary also guaranteed to the United States her best tariff treatment of imports. A complete repertory of the articles grown or manufactured in the United States that received the benefit of this arrangement embraced nearly 2,000 separate items.

These commercial arrangements were abrogated by the provisions of the Wilson tariff of August 27, 1894, in spite of a saving clause in Section 71, for the reason that sugar—the principal basis of all the agreements—was then made dutiable indiscriminately from the whole world. They were therefore in operation, for the most part, only about three years, 1891–94; the majority scarcely two years. It is not reasonable to demand brilliant results in such a short period, even under favorable general conditions; but, as a matter of fact, the years 1893–94 were notoriously bad for the development of our foreign trade; the country was staggering under a most serious industrial depression, the causes of which were independent of anything connected with the reciprocity movement. Nevertheless, the opponents of the reciprocity policy are fond of pointing out the fact that during the reciprocal period our total exports of merchandise to some—not all, by any means—of the countries of Latin America with which we had entered into arrangements showed little, if any, increase; hence they argue that the reciprocity movement was a failure. Ignoring the influences mentioned, they, of course, ignore the fact that it was largely due to these same reciprocity arrangements that our exporters were able to hold their own and make a good showing, notwithstanding the adverse conditions prevailing at home.

But on the whole the official statistics give evidence of the beneficial effects of reciprocity. For instance, take the total United States exports to the whole of Latin America:

In 1891, before the reciprocal period, they were	\$90,000,000
" 1893, during " " " rose to	103,000,000
" 1895, after " " " fell to	88,000,000

Or, take the experience with Cuba:

In 1891, our exports of merchandise amounted to	\$12,200,000
" 1893, " " " rose to	24,150,000
" 1895, " " " fell to	12,800,000

The milling industry of the United States, of paramount importance in our national industrial economy, was benefited immensely, particularly in the markets of Cuba, Brazil, and Germany.

In 1891, total U. S. exports of flour were	11,300,000	bbls.
" 1892, " " " " "	15,200,000	"
" 1893, " " " " "	16,600,000	"
" 1894, " " " " "	16,800,000	"
" 1895, " " " " "	15,200,000	"

It was officially stated that during the reciprocal period, Spanish flour was almost completely driven out of the Cuban market, and everywhere the American gains in trade represented a corresponding displacement of European products. When we consider that all this happened in the midst of an era of industrial stagnation, trade discouragement and uncertainty, it is wonderful that the results were so favorable.

Brilliant as was the conception of this our first legislative expression looking to the general application of the policy of reciprocity, and beneficial and satisfactory as were the results attained on behalf of our foreign commerce during the brief life of the several arrangements concluded thereunder, the scheme, from an academic point of view at least, is open to one criticism,— instead of retaliation being made the impelling force, the hope of preferential treatment (not, however, excluding to all others the right of identity of treatment) should have been held out as the inducement to candidates for reciprocity. In other words, the articles sugar, molasses, coffee, tea, and hides, should have been made dutiable, and the President authorized, in the reciprocity section, to admit them free by proclamation, when imported from those countries which extended fair and reciprocal tariff treatment to American goods. Indeed, this was the original idea of Secretary Blaine, as expressed in his letters to the framers of the McKinley tariff and, by implication, embodied tentatively in an amendment to the then pending bill, drawn by himself and introduced in the Senate by Senator Hale on June 19, 1890. If Section 3 of that tariff had been drawn upon the lines referred to, it is probable that the results would have been even more beneficial, although, as I have stated, there is no room for reasonable criticism on this score. At any rate, it is probable that the responses on the part of foreign countries desiring reciprocal relations would have been more numerous. Furthermore, it would have avoided the diplomatic misunderstanding and friction, a well as partial dis-

placement of our established trade, entailed by the legal punishment of Haiti, Venezuela, and Colombia, upon whose raw sugar, etc., President Harrison was obliged to impose the contemplated duties, by proclamation, on March 15, 1892.

The Reciprocity Features of the Dingley Tariff.

The Tariff Act of July 24, 1897, carried the idea of reciprocity to a higher point of development than the tariff of 1890, for it combined the principle of the reciprocity section of the latter law with entirely novel features, contained in Sections 3 and 4. The provisions of Section 4, in which there was a time-limit of two years expressed, have proved abortive; but those of Section 3, with no time-limit, have yielded excellent results and warrant careful consideration.

The plan for the attainment of commercial reciprocity established by the Act of 1897, is the exact antithesis of that of the tariff of 1890. In the present tariff certain dutiable articles of merchandise are selected, and the President is authorized to reduce, by proclamation, the regular duties thereon to definite concessional duties, when imported from countries which grant to the United States reciprocal and equivalent concessions. This scheme contains no suggestion of retaliation, and yet affords strong inducements to countries producing and exporting the enumerated articles to enter into the contemplated reciprocal relations with this country, for the extent of the concessional reductions of duty is material, as will appear in the following table:

Table Showing Tariff Concessions Offered by Section 3, Tariff of 1897.

Enumerated Articles.	General Rate.	Concessional Rate.	Percentage of Reduction.
Argols, or crude tartar or wine lees, crude.....	1 to 1½ cent per pound.	5 per cent ad valorem....	Average 70
Brandies, or other spirits manufactured or distilled from grain or other materials	\$2.25 per proof gallon.	\$1.75 per proof gallon.	22 2-10
Champagne and all other sparkling wines, in bottles, containing each not more than 1 quart and more than 1 pint ...	\$8 per dozen	\$6 per dozen	25
Each not more than 1 pint and more than ½ pint....	\$4 per dozen	\$3 per dozen	25
Each ½ pint or less	\$2 per dozen	\$1.50 per dozen	25
In bottles or other vessels containing more than 1 quart each	\$8 per dozen, plus \$2.50 per gallon on quantities in excess of 1 quart.	\$6 per dozen, plus \$1.00 per gallon on quantities in excess of 1 quart.	{ 25 24
Still Wines, and Vermuth:			
In casks	40 and 50 cents per gallon.	35 cents per gallon ...	{ 12½ 30
In bottles or jugs, case of 1 dozen bottles or jugs, containing each not more than 1 quart and more than 1 pint, or 24 bottles or jugs containing each not more than 1 pint	\$1.60 per case.....	\$1.25 per case.....	21½
Any excess beyond these quantities found in such bottles or jugs	5 cents per pint or fractional part thereof.	4 cents per pint or fractional part thereof	20
Paintings in oil or water colors, pastels, pen-and-ink drawings, and statuary	20 per cent ad valorem.	15 per cent ad valorem	25

Provisions of the Commercial Agreements under Section 3, Tariff of 1897.¹

Country.	Concessions by U. S.	Concessions to U. S.	Terminable.
France (Operative from June 1, 1898.)	All the authorized concessions, excepting on champagnes and other sparkling wines.	Minimum tariff on canned meats, fresh table fruits, dried or pressed fruits (excluding raisins), logs, timber and lumber, paving blocks, staves, hops, apples and pears crushed or cut and dried, manufactured and prepared pork meats, lard and its compounds.	No term specified.
Germany . . . (Operative from July 13, 1900.)	Do.	Full conventional tariff, as granted to Belgium, Italy, Austria-Hungary, Roumania, Russia, Switzerland, and Servia, by reciprocity treaties of 1891-94 (the Capravian treaties). Also, annulment of regulations for inspection of American dried and evaporated fruits, on account of San José scale.	Three months' notice.
Italy (Operative from July 18, 1900.)	Do.	Specified low rates (partly actual reductions) on cottonseed oil, pickled or preserved fish, agricultural machinery and parts, scientific instruments, dynamo-electrical machines and parts, sewing machines, and varnishes. Free entry of turpentine oil, natural fertilizers, crude, fresh or dried skins, and fur skins.	One year's notice (originally end of year 1903).
Portugal . . . (Operative from June 12, 1900.)	Same concessions as granted to above countries (excepting on vermouth) and, in addition, contemplated lower rates on sparkling wines (of which practically no imports from Portugal into United States).	Most-favored-nation treatment (Spain and Brazil excepted) of flour or cereals (except wheat), maize and wheat in the grain, lard and grease, mineral oils and certain products, reaping, mowing and threshing machines, machines for compressing hay and straw, steam plows and parts, plowshares; instruments, implements and tools for the arts, manufactories, agriculture, and gardening. Specified minimum rates on most of above, including oils, and upon tar and mineral pitch.	June 12, 1905; then one year's notice.

The German Agreement.

The existing reciprocal agreement with Germany, signed at Washington in July, 1900, by Secretary Hay and Ambassador

¹ Switzerland is often included in the list of countries with which agreements under the Act of 1897 have been concluded. This is not exactly correct. By invoking a peculiarly worded most-favored-nation clause in her commercial treaty of 1850 with the United States, Switzerland obtained the benefit of the concessions granted to France for one year prior to March 23, 1900, when the clause in question was terminated at the instance of the United States.

von Holleben, for their respective governments, affords a striking illustration of the success attainable with small assets skilfully used by the American negotiator. In return for the identical concessional reductions which had been granted to France by the agreement of 1898, upon the few rather unimportant articles enumerated in Section 3, excluding sparkling wines, Germany formally conceded to all imports from the United States the full and unqualified benefit of her entire conventional tariff created by the series of reciprocity treaties concluded with her European neighbors during the chancellorship of Count von Caprivi. This assurance of continued equality of tariff treatment for our exports in that market, this guaranty against discrimination in any line of our export trade, so long as the agreement remains in force, is surely a concession of great value. Without the slightest disturbance of our established tariff economy, without injury to a single American industry, without eliciting a single murmur of complaint in this country, and at the expense of a comparatively slight sacrifice in national revenue, Secretary Hay secured for his country the best tariff conditions which Germany offers to imports from any country in the world. In fact, the United States could not improve its present position by the conclusion of an extensive regular treaty of reciprocity, excepting the conditions of denunciation, which it would be to our interest to have fixed, if possible, at a much longer period than upon a notice of three months.

In a political way, too, the happy conclusion of this agreement removed certain causes of irritation previously existing between the two governments, silenced threats of retaliatory action against the United States, and altogether promoted better international relations. It is therefore earnestly to be hoped that the same satisfactory commercial basis will be maintained in favor of our exports to Germany after the new reciprocity treaties, now in process of negotiation by that country, shall have replaced the treaties of 1891-94, referred to in the German-American agreement.

Commercial Effects of the Agreements.

Evidence is not lacking to prove that the reciprocity agreements under the existing tariff act have had a beneficial effect upon our export trade with the interested countries. This does not appear so plainly in the statistics of our total exports to those

countries, as in the growth of the exports of concessional articles. Take, for example, the case of France, where our agreement went into operation on June 1, 1898. Within the brief period of two years thereafter United States exports to France of the concessional articles (fruits, certain meats, lard, timber, etc.) increased more than 74 per cent in value, while our imports of goods from France affected by the agreement (argols, still wines, spirits, and works of art) showed an increase of only 5 per cent in value. Our total exports to the conventional countries have also shown a gratifying increase, due in part to these agreements.

Total Exports from United States to Contracting Countries.

Fiscal year ending June,	France.	Germany.	Italy.	Portugal.
1899	\$60,600,000	\$155,800,000	\$25,000,000	\$4,100,000
1900	83,300,000	187,300,000	33,300,000	5,900,000
1901	78,700,000	191,800,000	34,500,000	5,300,000

So far as statutory provisions looking to reciprocity are concerned, this part of Section 3 of the Dingley tariff presents an ideal method, capable of indefinite extension at the will of Congress and in perfect harmony with our present tariff system. By reason of the limited number of articles enumerated and their character, reciprocity under this section has been necessarily limited to a few countries, but the results already accomplished have been so favorable as to strongly commend the plan itself to the statesmen of the United States, and especially to the loyal advocates of the associated policies of protection and reciprocity.

Notwithstanding all that has been said in the last few years in opposition to any reciprocity involving our tariff duties on competitive imports, it will be observed that all the articles of merchandise enumerated in Section 3 are of this character, entering into competition with domestic products, and that the authorized reduction of the regular duties thereon is considerable, being as high as 70 per cent in the case of argols, 25 per cent for sparkling wines and works of art, 22 per cent for spirits and for still wines in bottles, and 30 per cent for the higher grade of still wines in casks. Nevertheless, the American producers of the articles in question have made no complaint whatever on this subject, and the commercial results have shown that they have not been injured

by the agreements already put into operation. For instance, the official statistics of imports from France for the first two years following the proclamation of the agreement of May 28, 1898, show no increase of imports of French brandy and still wines, as might have been feared.

Section 3 of the present tariff contains, in its latter portion, provisions for penalizing imports of coffee, tea, and tonqua and vanilla beans—all upon the free list of the Act of 1897—when imported from countries which impose reciprocally unequal and unreasonable duties upon exports of the United States. In such emergencies the President is authorized to suspend, by proclamation, the free entry of these articles from the offending countries, whereupon certain specified duties shall be collected thereon. Fortunately, the conditions have not, up to the present time, justified and required the infliction of this penalty. Tea was made, and remains, dutiable by the revenue law of 1898, while the imports of tonqua and vanilla beans are not very important; this feature of Section 3, therefore, mainly concerns the great coffee-producing country of South America, and this suggests the general kindly policy of our government toward all the countries of Latin America.

The Executive should be armed by the legislature with the strongest possible weapons for effective action against any country that willfully and persistently discriminates against American trade, and it must be conceded that the available measures in this direction might wisely be enlarged and strengthened; but, at the same time, as President McKinley declared in his farewell to the people, measures of retaliation are not in harmony with the spirit of the times, nor, it may be added, in harmony with the policy and attitude of the present administration.

Treaties which Have Failed of Adoption.

A list of the reciprocity treaties which have been signed and submitted to the Senate of the United States and have failed of final adoption is given below. The recently concluded treaty with Great Britain, on behalf of Newfoundland, appears at the end; this, however, is still pending action. No mention is made of mere *projets* of treaties, upon which the general injunction of secrecy covering diplomatic transactions rests; but reference should be made to the

Brown-Thornton draft-treaty of 1874 for reciprocity with Canada, which, although unsigned, was passed upon by the Senate and rejected; also to the Blaine-Bond *projet* of 1890 for reciprocity with Newfoundland, which, although not signed, was submitted by the British Minister at Washington to his government, which withheld its consent to its conclusion, because of Canadian opposition. Mention should also be made of two treaties with Great Britain on behalf of Trinidad, which were negotiated and signed by Mr. Kasson under the fourth section of the present tariff, neither of which was transmitted to the Senate. The first, signed on July 22, 1899, failed to receive the required adherence of the colonial legislature; while the second, signed on February 13, 1900, lapsed after a brief period. Besides the unperfected treaties mentioned below, there were two commercial agreements negotiated in 1892 under the tariff of 1890, which were not proclaimed by the President; one was with Costa Rica, which was not ratified by the legislative body of that country, and the other was with France, which, however, was virtually made effective from January 30, 1893, by a French law which gave to the United States the minimum rates upon a few articles of import.

Unperfected Reciprocity Treaties of the United States.

Administration.	Country.	Signed.	Disposition.
Tyler	Germanic States of the Zollverein. (Wheaton Treaty.)	March 25, 1844	Twice adversely reported. Tabbed in Senate by vote of 26 to 18, in 1844-45.
Pierce	Hawaiian Islands	July 20, 1855	No action—pressure of other questions.
Buchanan ..	Mexico	December 14, 1859 .	Rejected by Senate, vote of 18 to 27, May 31, 1860.
Johnson ...	Hawaiian Islands	May 21, 1867	Rejected by Senate, June 1, 1870.
Arthur	Mexico	January 20, 1883 .	Ratified by Senate and proclaimed by President, June 2, 1884, but never effective, for want of stipulated confirmatory legislation by Congress. Twice extended by supplementary conventions of February 25, 1885, and May 14, 1886. Finally lapsed on May 20, 1887.

Administration.	Country.	Signed.	Disposition.
Arthur	Spain for Cuba and Porto Rico. (Foster Treaty.)	November 18, 1884 .	Withdrawn from Senate (before action) by President Cleveland in special message of March 13, 1885. Never resubmitted.
Arthur	Dominican Republic (Frelinghuysen Treaty.)	December 4, 1884 .	Also withdrawn at same time as foregoing.
McKinley ..	France (Kasson-Cambon Treaty.)	July 24, 1899	Lapsed September 24, 1903.
McKinley ..	Argentine Republic (Buchanan-Alcorta Treaty.)	July 10, 1899	Lapsed November 6, 1902.
McKinley ..	Great Britain on behalf of Barbados (Kasson-Tower Treaty.)	June 16, 1899	Lapsed April 26, 1903.
McKinley ..	British Guiana (Kasson-Tower Treaty.)	July 18, 1899	Lapsed March 12, 1903.
McKinley ..	Turks and Caicos Islands (Kasson-Tower Treaty.)	July 21, 1899	Lapsed March 12, 1903.
McKinley ..	Jamaica (Kasson-Tower Treaty.)	July 22, 1899	Lapsed March 12, 1903.
McKinley ..	Bermuda (Kasson-Tower Treaty.)	July 24, 1899	Lapsed March 16, 1902.
McKinley ..	Nicaragua (Kasson-Sanson Treaty.)	October 20, 1899 . . .	Lapsed June 25, 1901.
McKinley ..	Denmark on behalf of St. Croix (Kasson-Brun Treaty.)	June 5, 1900	Lapsed November 9, 1902.
McKinley ..	Dominican Republic (Hay-Vasquez Treaty.)	June 25, 1900	Withdrawn by Dominican Government in August, 1902.
McKinley ..	Ecuador (Sampson-Peralta Treaty.)	July 10, 1900	Lapsed July 10, 1901.
Roosevelt ..	Great Britain on behalf of Newfoundland (Hay-Herbert Treaty.)	* * * *	* * * * *
		November 8, 1902 ..	Still pending.

This list of formally concluded treaties of reciprocity which, since the administration of President Tyler, have failed of final

adoption by our government (excepting, of course, the pending treaty for Newfoundland) shows, when compared with the previous list of perfected treaties, that reciprocity by this method has failed far oftener than it has triumphed; while, on the other hand, legislative reciprocity by Presidential proclamation has almost invariably succeeded. Perhaps this deduction may properly be regarded as a lesson for the future; but it must not be taken as a condemnation of the provisions of the treaties in the foregoing list, for something might justly be said in praise of each one of them.

The Kasson Treaties.

All the treaties concluded during the McKinley administration, eleven in number (besides the Trinidad convention), are commonly called the Kasson treaties, having been negotiated by the Reciprocity Commission, of which Mr. John A. Kasson was the head, appointed by President McKinley in October, 1897, to carry out the reciprocity features of the tariff of 1897. These treaties were framed in accordance with the provisions of Section 4 of that law, which authorized the President to negotiate reciprocity treaties providing for concessions to the contracting foreign countries, during a period not to exceed five years, upon the following bases, in exchange for equivalent advantages granted to the export trade of the United States:

- (1) Reduction of the present duty upon any article imported from any country, to the extent of not more than 20 per cent.
- (2) Transfer from the dutiable to the free list of any article which is a natural product of a foreign country, and, at the same time, not a natural product of this country.
- (3) Guaranty of retention on the free list of any article now free.

According to a literal interpretation of Section 4, the American negotiator had, as his available assets in reciprocity, a margin of one-fifth the duties upon any articles enumerated in the dutiable schedules of the Dingley tariff, and, as the theater of his operations, the whole commercial world. The one valuable lesson which we can draw from the lengthy mortality list in the above table, is that the statutory recommendations,—or mandatory directions, if you

please,—for reciprocity contained in that section were entirely too general and indefinite.

Mr. Kasson, the American negotiator of the lapsed treaties, has been a life-long Republican and consistent protectionist; he sincerely believed that none of the treaties under Section 4 contained a single provision in violation of the cardinal principles of our protective tariff system, and that no proposed concession on the part of the United States threatened the prosperity of any American industry by impairing the security afforded it by the rates of the Dingley tariff. The proposed reduction in duties in no case exceeded 20 per cent, the amount specifically authorized in Section 4, but, in most cases, it was far below that limit, the average reduction in the French treaty being less than 7 per cent, applied to only 126 numbers of our tariff.

These treaties have lapsed, and their details need not be given here. I have discussed them at length in other publications at a time when it was believed that at least some of them would be ultimately adopted.² They contained many meritorious features for the promotion and wider development of our foreign commerce, and they presented no real danger to the continued prosperity of any of our home industries. Very important interests, however—notably the manufacturers of cotton-knit goods in the case of the French treaty, the fruit-growers of California in the case of the Jamaican treaty, and the wool-growers of the Middle West in the case of the Argentine treaty—believed that the stipulated tariff reductions would seriously injure their respective industries by flooding the American market with the foreign products, and thus causing disastrous competition. These opponents have presented their protests so forcibly that the treaties in question no longer remain in the theater of practical action, but are merely food for the historian, the theorist, and the moralist.

The Three Reciprocity Movements.

There have been three well-defined and organized movements for reciprocity as a proper means of extending our foreign trade. The first of these took place in the administration of President

² "The Development of the Policy of Reciprocity," *Forum* for August, 1898; "The Work of the Reciprocity Commission," *Forum* for December, 1900; "Expansion through Reciprocity," *Atlantic Monthly*, December, 1901; "Reciprocity and Our Pending Treaties," *Collier's Weekly*, January 11, 1902.

Arthur, when a trade commission was despatched to the several countries of Central and South America with a view of bringing about more satisfactory commercial relations; and when the reciprocity treaties with Mexico, with Spain for Cuba and Porto Rico, and with the Dominican Republic were negotiated. This movement failed entirely, mainly because of a change of the party in power. The supplementary treaty of 1884 with Hawaii, which was perfected three years later in the Cleveland administration, might, however, be regarded as an exception.

The next movement began in 1889, under the administration of President Harrison, when the International American Conference assembled at Washington and recommended a series of Pan-American reciprocity treaties. The sequel was the amendment of the McKinley tariff of 1890, by the introduction of the reciprocity section, from which came the numerous Blaine arrangements, which were virtually terminated by the Wilson tariff of 1894.

The third and last movement was inaugurated in 1897 by the passage of the Dingley law with its triple reciprocity features: (1) reciprocity by treaty, with general limitations; (2) reciprocity by proclamation of authorized reductions, and (3) reciprocity based upon forbearance from the imposition of certain penal duties. The Kasson treaties and the existing agreements are the results of this movement, to which belong also the Cuban and the Newfoundland treaties, for these, although negotiated under the unhampered constitutional power of the Executive, carry out the true policy of reciprocity. The administrations of Presidents Arthur, Harrison, McKinley, and Roosevelt have therefore witnessed the highest development of this policy of fostering the export activities of the United States. There have been fatalities all along the line, but the actual concrete results show that the national efforts so far made during the third and existing reciprocity movement have not been in vain.

The Proper Functions of Reciprocity.

The highest object of reciprocity is to improve the tariff and kindred conditions under which the products of the United States are admitted into the ports of foreign countries; to remove existing, and prevent threatened, discriminating treatment and unre-

sonable and reciprocally unequal duties. By the attainment of these objects our export trade will be greatly facilitated and promoted, and our producers will find increased profits, as well as enlarged markets. The true mission of reciprocity, then, is to do for the American exporter what protection has already accomplished for the wage-earner and his employer, to afford the measure of security requisite for the constant enlargement of his activities; and, of course, the welfare of our exporters means the welfare of our producers generally.

The need for reciprocity increases *pari passu* with the constantly increasing demand for new and wider markets, for easier entrance conditions and, above all, for equality of treatment with international competitors. The strength of this demand may be understood by bearing in mind that many of our largest industries, at their present rate of production, could entirely supply the home market by working only eight or nine months per annum, which means that the balance of the year would be consumed in manufacturing for export. In many lines of industry the international competition in the markets of Europe is extremely keen and sales are made upon a slight margin of profit. In such cases the application of discriminating rates to American products is sufficient to turn the scale against the successful entry of our surplus goods. Then it is that the aid of reciprocity may wisely be invoked for the correction of the discrimination and the establishment of satisfactory stable conditions. In fact, stability for the future with its reactionary chances is a most important consideration. The time is approaching when the enormous demands of our home market will be satisfied and then the welfare of our export trade will become a matter of grave national solicitude. When that time comes, reciprocity will be an international issue.

Reciprocity with foreign countries rests pre-eminently upon the motto *Do ut Des*. We seek what is valuable, and to obtain it, must make concessions of reasonable value. The proper extent of these return concessions is the crucial point in the whole question, and practically the entire opposition to the ratification of the Kasson treaties was predicated upon this phase of the problem. No one seriously questions the great desirability of securing, in some way or another, the benefit of the entire minimum tariff of France for American exports; or reduced duties and an enlarged free list

in the British West Indies; or better conditions of trade in Argentina, Nicaragua, Ecuador, etc. There is practical unanimity among our people on the subject of these *desiderata* for our export trade interests; the diversity of opinion, however, relates to the reasonableness of the concessions proposed by the United States.

These conventional concessions may properly embrace stipulations to the following effect: (1) the reduction of our present duties on certain articles; (2) a guaranty of continuance, during the conventional term, of the present rates on certain articles, in other words, the "binding" of such rates, and (3) the binding of the present free list, in part or whole, for the benefit of the contracting country.

Concessions under the last two heads excite little or no opposition; the real contest relates to the lowering of existing duties (or, of course, to the exemption from duties) on highly competitive articles. Experience—particularly in the case of the lapsed French treaty—has shown that a very slight reduction in duty, say of 5 per cent, arouses no antagonism; but when reductions of 20 per cent, or 15 per cent, or sometimes even 10 per cent, are proposed, serious objection is raised by the interested home industries. It is therefore highly desirable to find some reliable criterion for the regulation of the duty-revising effects of reciprocity with highly civilized countries like France.

The time has passed for seriously questioning the success of the protective tariff system in the United States; the people have repeatedly approved it and returned to it after brief and partial departures, and the material results achieved under it since 1897, the period of its highest development, have further emphasized its success as a national policy, its efficacy in stimulating industrial activity, supplying the needful revenues, and bringing and maintaining widespread prosperity. The question, therefore, of assigning proper limits to the revisionary tariff effects of the reciprocity policy is one of paramount importance.

It is true that reciprocity with one country may rest upon peculiar considerations and call for greater liberality of treatment than reciprocity with another country; a case in point is Cuba, where we have the regulation of a neighborhood trade. Nevertheless, it is possible to formulate a satisfactory general rule. The scientific justification of our protective tariff lies in the fact

that the duties on competitive articles have been made sufficiently high to counterbalance the disparity existing between the low wages prevailing in foreign countries and the higher wages paid in the same industries in the United States. The pursuance of this legislative method of safeguarding American industries is demonstrated, in a rough way, by the average duty collected upon foreign imports. The wages paid in almost any industry in Europe average at least 50 per cent lower than corresponding wages in this country, and, very properly, our average duty upon dutiable imports from Europe is 50 per cent ad valorem. There are, of course, inequalities here and there, and the industrial conditions are constantly changing to some extent, so that in time several schedules of the present tariff will require revision. Without discussing the probable nearness or remoteness of such time, it is to be hoped that when it arrives, those duties which shall then be found to be "no longer needed for revenue or to encourage and protect our industries at home," may be "employed to extend and promote our markets abroad," to use the words of President McKinley at Buffalo.

Upon these important phases of reciprocity—its applicability in any future readjustment of the tariff and the rule for its judicious application—we can profitably follow the excellent recommendations to Congress contained in the Annual Messages of President Roosevelt.

The following paragraph is from the Message of 1901:

"Reciprocity must be treated as the handmaiden of protection. Our first duty is to see that the protection granted by the tariff in every case where it is needed is maintained, and that reciprocity be sought for so far as it can safely be done without injury to our home industries. Just how far this is must be determined according to the individual case, remembering always that every application of our tariff policy to meet our shifting national needs must be conditioned upon the cardinal fact that *the duties must never be reduced below the point that will cover the difference between the labor cost here and abroad*. The well-being of the wage-worker is a prime consideration of our entire policy of economic legislation."

The rule to which I have called attention in the extract from the Message of 1901 offers a practical method of determining in a given case whether or not a duty-reduction proposed in reciprocity involves a violation of the essential principles of protection and

hence threatens to be hurtful to the domestic industry concerned. It is always possible to learn, with approximate exactness, the wages and net cost of production in a manufacturing industry both at home and abroad. In fact, the existing machinery of our government can supply the required *data*, the consular service in the foreign field and the Department of Commerce and Labor in the home market.

Reciprocity applied in accordance with the rule of action just mentioned will be, in the language of Secretary Hay's memorial address upon President McKinley, "the bulwark of protection—not a breach; but a fulfillment of the law."

Three Methods of Reciprocity Suggested.

In conclusion, there are three distinct modes for the attainment of commercial reciprocity with foreign countries which naturally suggest themselves to the student of the policy as desirable of adoption. These are,

1st. Reciprocity by commercial treaties made under the constitutional power of the Executive. This method is well adapted for the execution of a comprehensive and equitably balanced reciprocal commercial convention with Canada or Mexico, our great neighbors.

2d. Reciprocity by commercial agreements based upon legislative authorization similar to that contained in Section 3 of the present tariff, but with a greatly extended list of concessional articles to meet the conditions of our trade with the leading countries of the world. This method involves further legislation by Congress upon the lines of the first part of Section 3. I have pointed out the remarkably smooth workings of the existing statutory provisions of this section; the ease with which the negotiations were conducted, each contracting country knowing in advance precisely the full extent of the possible concessions by the United States; the silent and speedy manner in which the agreements were carried into effect in this country by proclamation of the President, without recourse to the Senate; the universal acceptance, without a murmur of disapproval, of the *fait accompli* by the industrial interests of this country supposed to be especially interested, and, lastly, the substantial commercial advantages and privileges secured to our trade through these agreements.

The great advantage of this system of reciprocity must be obvious to the reader. Congress has only to extend the present short list of argols, wines, spirits, and works of art, into a much larger list, applicable to all the great countries of the world with which we might profitably enter into more satisfactory commercial relations, putting into the new list articles of import which those countries would desire to see reduced in duty, and, while fixing the reduced duties at rates entirely consistent with adequate protection to home interests, an incentive would be offered to each of those countries to make really valuable concessions to the United States. It is an interesting circumstance to recall, in this connection, that the framers of the Dingley law themselves contemplated making the third section more far-reaching. As originally passed by the House of Representatives, this section provided for concessional reductions on chicle, sugar, laces of silk, and mineral waters, besides the articles enumerated in the law as enacted. The former articles, which were stricken out by the Senate, would have rendered reciprocity under Section 3 still more effective.

3d. Reciprocity by the adoption of a double tariff system, with maximum and minimum rates of duty upon the same articles—the higher rates to be applied to countries which discriminate against, or levy unreasonable duties upon, our exports, and the minimum rates to be enjoyed by those countries that extend their best tariff treatment to the United States. This system, which is in use by France, Russia, Spain, and Norway, has of late been favorably discussed by leading American statesmen and economists. The scheme is not so foreign to the reciprocity plan now in operation as might be imagined. Its adoption would simply mean the application to our entire dutiable list of the principle of Section 3, which, on a limited number of dutiable articles, has virtually established two rates, the general and the concessional. By the European system, in addition to the free list, the rates of the two tariffs are often identical on many articles.

One advantage of the double tariff as used by France is that the legislature preserves the right to raise the minimum tariff at any time, irrespective of existing treaty relations. Hence, the revenue powers of the government are in no way impaired, and in cases of emergency the entire minimum, as well as the maximum,

schedules may be increased *ad libitum*. This is the only important difference between the maximum and minimum system and the conventional tariff system used by Germany, Italy, Austria-Hungary, and Switzerland. In these countries the lower tariff is made up of the aggregate of reduced duties provided in special reciprocity treaties, and the benefits of such conventional reductions are mutually extended to third nations under the universal operation of the general most-favored-nation clause, in accordance with the well-known European interpretation given to that clause.

The first two methods above mentioned might be successfully used in conjunction, as at present; but the third method, the double tariff system, would seem to cover the whole ground and permit of no auxiliary arrangements. There is, however, one form in which this system might be utilized in perfect harmony with independent reciprocity negotiations. If a scale of maximum duties were created by Congress by a horizontal increase of the present rates to the extent of, say, 20 per cent, such maximum tariff could be reserved for retaliatory action against countries which wilfully discriminate against the United States, while, at the same time, the regular tariff could be applied to the rest of the world in general and be used, from time to time, as a basis of special reductions in reciprocity, effected either by regular treaties or by commercial agreements like those in force. A maximum tariff of this character would mean simply the enactment of penal duties to be applied in extraordinary cases by the executive branch of the government, in the manner of existing provisions in the tariff legislation of Germany and Belgium; but the combined system of reciprocity and penal tariff thus constituted would be comprehensive, harmonious, and effective in meeting all possible contingencies in the commercial relations of the United States.

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